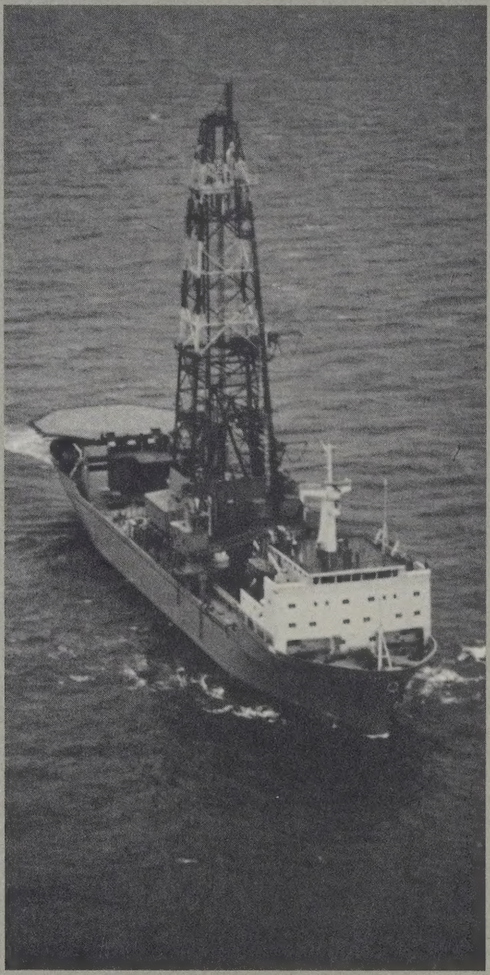
BP Canada

Annual Report 1974

On the Cover: The dynamically-positioned drillship *Havdrill* is seen on location from a supply vessel, 130 miles northeast of St. John's, Nfld. During the four-month operating season, BP Canada conducted exploratory drilling using *Havdrill* which is scheduled to return in June 1975.

At right: A close-up of the drillship.



Annual Report 1974

BP Canada is an integrated oil company engaged in exploration for hydrocarbons and other minerals, the production of crude oil and natural gas, and the refining and marketing of petroleum products. It has some 2,700 full-time employees and more than 8,000 shareholders in Canada. 34.4% of the common shares are held by the public and are traded on the Montreal, Toronto and Vancouver stock exchanges.

BP's principal exploration activities are in Western Canada, the Canadian Arctic (including the Mackenzie River basin and the Yukon Territory) and the continental shelf off Newfoundland & Labrador.

The Company's refineries at Oakville, Ontario (Trafalgar Refinery) and Ville d'Anjou, Quebec (Montreal Refinery) can process more than 150,000 barrels of crude oil per day.

A wide range of refined products is marketed throughout Ontario and Quebec. An extensive BP transportation and distribution network delivers these products to the industrial, agricultural, transportation and heating fuel markets, and to the motoring public through some 2,100 service stations.

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Highlights for the year 1974

with 1973 figures shown on a comparable basis

	1974	1973	% change
	(Thousands of dollars unless otherwise stated)		
Financial			
Revenue — sales and services	$464,808	$326,598	+ 42.3
Net revenue	451,065	314,280	+ 43.5
Total funds derived from operations	82,629	57,599	+ 43.5
Net income for the year	39,511	21,711	+ 82.0
Net income per share (dollars)	1.88	1.03	+ 82.0
Return on average capital employed			
Historical dollar basis (percentage)	11.36	8.01	+ 41.8
Current dollar basis (percentage)	6.86	4.73	+ 45.0
Working capital at end of year	98,149	55,994	+ 75.3
Expenditures on property, plant, equipment and research costs	66,870	57,417	+ 16.5
Long term debt at end of year	94,512	102,515	− 7.8
Shareholders' equity at end of year	290,681	257,153	+ 13.0
Total assets at end of year	559,151	445,074	+ 25.6

	1974	1973	% change
Operating	(Barrels per day)		
Refined product sales	97,164	96,253	+ 0.9
Crude oil processed at refineries	106,921	104,323	+ 2.5
Refined product purchased from another refiner	13,225	14,526	− 9.0
Gross sales of crude oil and natural gas liquids	28,492	32,037	− 11.1
	(Thousands of cubic feet per day)		
Gross sales of natural gas	101,043	102,167	− 1.1

Report to the Shareholders

International and domestic events have in the course of the past year produced fundamental changes in the relationships between oil companies and governments. These relationships are still evolving; on the domestic front, the next milestone can be expected to be the First Ministers' Energy Conference scheduled for April 9 and 10. It is vital for the industry and for Canada that this conference settles not only the pressing immediate questions but establishes for the longer term the stable environment which is so essential if Canada's energy potential is to be fully developed. A repetition of the disastrous, crisis ridden atmosphere of 1974 should be avoided at all costs.

As you will have seen from our announced results, BP Canada had a good year. On the basis of conventional accounting, net income rose by 82% to $39.5 million and produced a much improved, but still modest, return of 11.4% on average capital employed. Restatement of our accounts to give effect to changes in the general purchasing power of money shows that, on this more realistic basis, the return on average capital employed was only 6.9%.

Shareholders should also be aware that in the vital exploration and production sector, despite higher prices, net income rose by only 13%, barely keeping pace with inflation. The relatively poor performance of this sector is largely due to the excessive royalties and income taxes imposed by the two levels of government. Royalty payments to the producing provinces were nearly three times the 1973 level and the provision for income taxes in the exploration and production sector was well over twice that in 1973. It is gratifying, indeed, that our modernized and streamlined distribution and marketing systems were able to make a major contribution to our profitability in 1974.

By end 1974, world oil prices were about five times the mid-1973 level. This unprecedented price increase, coupled with the general downturn in economic activity, has resulted in demand in most importing countries, Canada excepted, falling well below 1973 levels. We are now witnessing a considerable international surplus of shipping, refining and production capacity which may take several years to work out at the relatively low growth rates now being predicted.

Whilst the prospect of physical shortages of oil may have receded for the time being, the adverse effects of greatly enhanced prices on the balance of payments of importing countries remain, as does the potential for withholding oil supplies for political purposes. Together these make it highly desirable that consuming countries take all reasonable steps to limit their dependence on imported energy.

Canada is peculiarly well placed in this regard but this is not to say that absolute self-sufficiency is attainable nor that it should even be established as a long-term target; monetary and other costs may well be prohibitive. What is now required is a clear recognition by the public, by the media and by governments, of the need for a coherent energy conservation policy, on the one hand, and, on the other, proper incentives for the industry to search out and develop new and, inevitably, high cost energy sources.

The forthcoming First Ministers' Energy Conference presents an unique opportunity to bring to a halt once and for all the damaging competition between the Federal and provincial governments over the "take" from the producing industry. As a practical step towards curbing consumption and restoring confidence in the industry, the First Ministers should affirm their intentions to allow Canadian prices to rise to the international level over a short and specific period of time and ensure that a substantial part of the increment is left with the industry to finance and stimulate exploration and development. To an outsider, it must seem strange, indeed, that, at a time when Canada's need for new sources of energy has probably never been greater, governments should have been progressively whittling away the rewards for success.

In the expectation that, in the long run, reason must prevail, our exploration program in 1974 was maintained at a high level; in particular, we embarked on a costly drilling program in deep water off the coast of Newfoundland, notwithstanding the still unresolved dispute between the Province and the Government of Canada. Unfortunately, due to mechanical difficulties the well did not reach target depth last season but drilling will be resumed this summer when it is planned to drill a

second well in the northern part of our acreage, in the general area of a recent gas discovery.

The major expansion project at our Trafalgar Refinery has been successfully commissioned and we have been able to supply our total market from our own refineries since the beginning of this year. It was disappointing that the target completion date was not met and that there should have been a cost overrun of some 10%. Having regard, however, to the very difficult conditions obtaining throughout the construction period, we feel we were well served by our prime contractors.

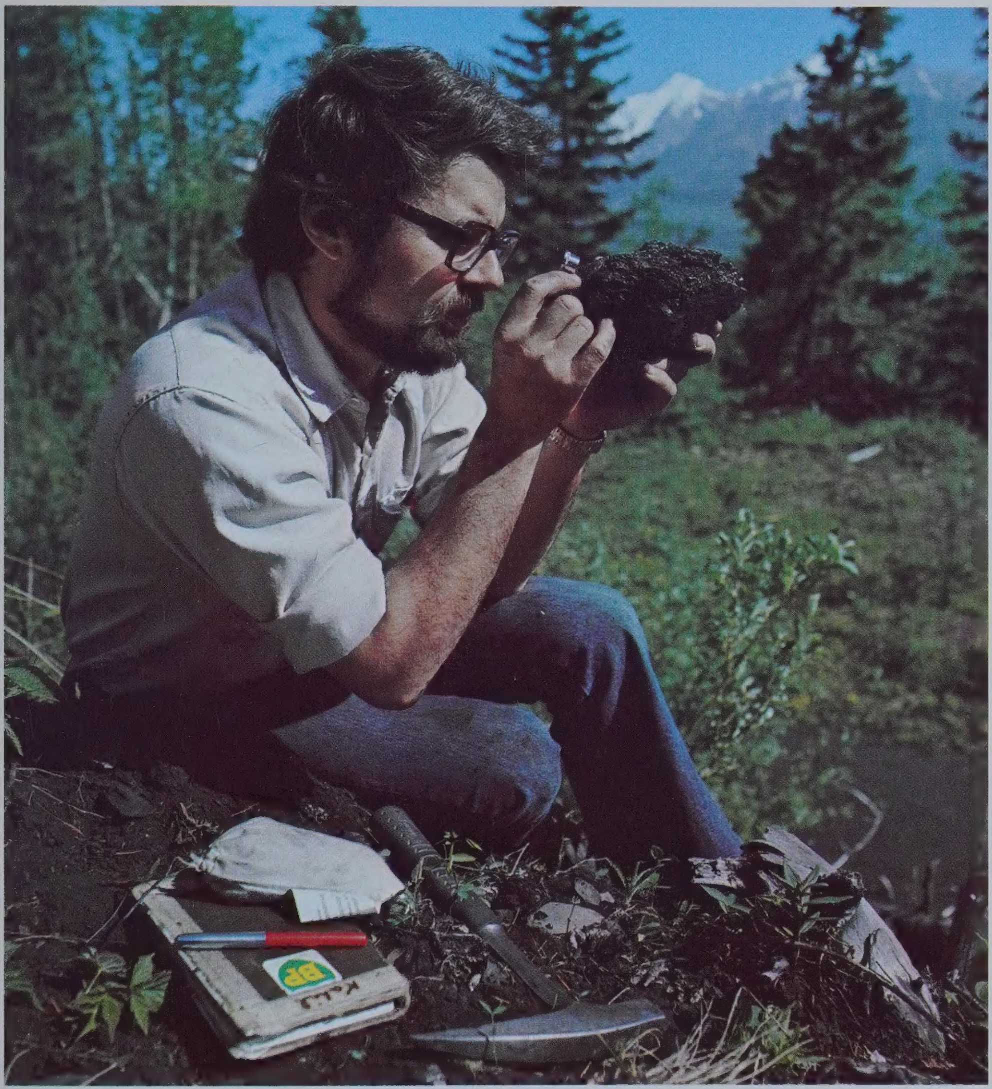
The rationalization and modernization of our marketing system is making excellent progress. Sales of gasoline through our retail network continue to grow despite a marked reduction in the number of outlets.

We were extremely sorry that Mr. Alastair Down should have found it necessary to resign from our Board in January, 1975, as a consequence of his appointment as Chairman of Burmah Oil Company. Mr. Down was the founder of BP's interests in Canada and has remained closely associated with them for some 22 years. His advice, based on his extensive experience of the industry in Canada and overseas, will be sorely missed.

Mr. James G. Thompson, who was President of Supertest Petroleum at the time of the merger of BP's interests with those of Supertest in 1971, has decided not to stand for re-election at the forthcoming Annual and General Meeting. His advice and counsel during the process of integrating the two groups has been most helpful.

Any success we may have had during the past year is directly attributable to the dedication of our staff and I wish to take this opportunity to thank them publicly for their efforts under difficult and, often, confusing circumstances. It also gives me great satisfaction that we were, during the year, able to make a major improvement in the situation of our pensioners whose real income was being seriously eroded by inflation.

D. F. Mitchell
President
March 13, 1975



An Alberta mineral specimen attracts the attention of this member of a BP geological prospecting team.

In 1974, the Company sharply increased its exploration activities in programs involving expenditures at a record level of some $20 million of which $9.4 million was contributed by others earning an interest in BP's acreage on the Labrador Shelf. Development expenditures were 31% higher than in 1973, at $3.8 million.

Because of the fundamental changes which have taken place in the basis of assessing royalty payments to provincial governments, the concept of net reserves and net sales has ceased to be meaningful. In this report, reserve and sales figures are quoted on a gross basis, i.e. before deduction of government royalties.

Production and Sales

Sales of crude oil and natural gas liquids declined by 11.1% to an average of 28,492 barrels per day. The lower level of production was due partly to the natural decline in certain fields and partly to the effect of the export tax on sales of heavier grades of crude to the U.S. Natural gas sales were little changed from 1973 at an average of 101 million cubic feet daily. Sulphur sales increased in 1974 by 30.2% to 109,653 long tons thereby keeping pace with current production; at year-end, the sulphur inventory was essentially unchanged at 228,000 long tons.

The increase of $2.70 per barrel in the posted prices for crude oil and natural gas liquids permitted on April 1, 1974, was largely offset by the much higher royalties payable to the provincial governments and by the new tax concept under which government royalties are no longer permitted as deductions in computing liability for Federal income tax. In the case of BP, for the period May 7 to December 31, 1974, the period over which the taxation changes introduced in the November 18 Federal Budget were applicable, it is calculated that these measures absorbed over 91% of the average price increase relative to the comparable period in 1973.

The average price for sales of natural gas in 1974 improved marginally to 20.6 cents per thousand cubic feet. Major increases were, however, negotiated during the year, most of which became effective on

Above: Off Newfoundland, a BP-contracted service vessel, having sailed around an iceberg to "lasso" it, diverts it safely away from the drillship *Havdrill.*

At left: Drilling equipment is barged north for use on BP Canada's farm-in acreage near Great Bear Lake, N.W.T.

November 1, 1974. By December, the average selling price had risen to 28.8 cents per thousand cubic feet.

The average price realized for sulphur in 1974 was $14.94 per long ton, more than double that in 1973.

Frontier Areas

Drilling of BP Columbia Bonavista C-99, about 130 miles northeast of St. John's, Newfoundland, commenced in June 1974. The well was programmed to 13,500 feet and had reached 12,090 feet when mechanical difficulties forced abandonment of the lower part. The well was plugged back to 9,550 feet, side-tracked and re-drilled to 10,322 feet at which depth the operation was suspended because of further drilling problems and adverse weather conditions. In the summer of 1975, it is planned to continue drilling this well to the objective and to drill a new location in the north end of the permit holdings. This program is being conducted on permit lands comprising 12.7 million acres where Columbia Gas Development of Canada is providing $25 million for exploration to earn a 40% interest. Significant gas flows were reported in 1974 at two wells drilled by others in the general area adjacent to the northern part of the BP block.

In the Great Bear Lake area of the Northwest Territories, BP and a partner have a farmout on 2.6 million permit acres. Geological and geophysical work done in 1973 and 1974 earned BP a 16.67% net interest and delineated structures involving Cretaceous and Paleozoic horizons. The 1975 program includes seismic work and several exploration wells which will afford BP the right to earn up to a 40% net interest.

In the Arctic Islands, BP participated as to its 3.33% interest in Panarctic Tenn et al Bent Horn H-72 which, on a production test, flowed 43° gravity oil at the rate of 470 barrels per day but with salt water. This is the first recovery of hydrocarbons from the Parry Island Fold Belt, upon which BP has considerable acreage. On other lands in which the Company has an interest, Panarctic drilled, and abandoned, three deep tests at no cost to BP.

The Company owns a 38.85% interest in Magnorth Petroleum Ltd. which holds about 14 million permit acres in Lancaster Sound and other offshore areas of the Arctic Islands. These permits are under farmout by Magnorth with a commitment by the farmee to spend $9.8 million by 1978 to earn a 25% interest in the acreage, with options for further expenditures to earn additional interest. Extensive marine seismic surveys have been completed and plans for drilling are being considered, but the extremely difficult logistics and the uncertainty of government attitudes are hindering progress.

Western Canada

In the Peace River area, the Company has interests ranging from 12.5% to 100% in 373,000 acres where various agreements provide for the drilling of 15 exploration wells at no cost to BP. In addition, the Company is participating in other exploratory drilling and seismic work. In 1974 this program resulted in four gas discoveries and exploration is continuing.

In the central foothills of Alberta, BP has a 20% interest in 27,000 acres at Stolberg and a 30% interest in 18,000 acres at Brown Creek. In 1974, a development well was successfully completed at Stolberg and an additional gas well was drilled at Brown Creek. Studies are in progress for further development work to bring these reserves into production.

The Company is participating in the development of the shallow, low-pressure gas pools in the Cretaceous sands of Southern Alberta. In 1974, 11 wells were drilled and completed which added 3.8 billion cubic feet to the Company's reserves and production has commenced.

An encouraging gas discovery was made in north central Alberta on a 46,000-acre block in which the Company has a 25% interest. Further drilling will be required before reserves can be estimated or development undertaken.

In the Monkman Pass area of the British Columbia foothills, BP has interests varying from 25% to 100% in 150,000 acres. Two wells drilled in earlier years found gas in Cretaceous and Triassic formations. One well was drilled in 1974 at no cost to BP and

Exploration & Production

(continued)

Peace River Area, Alberta

One inch = 13 miles

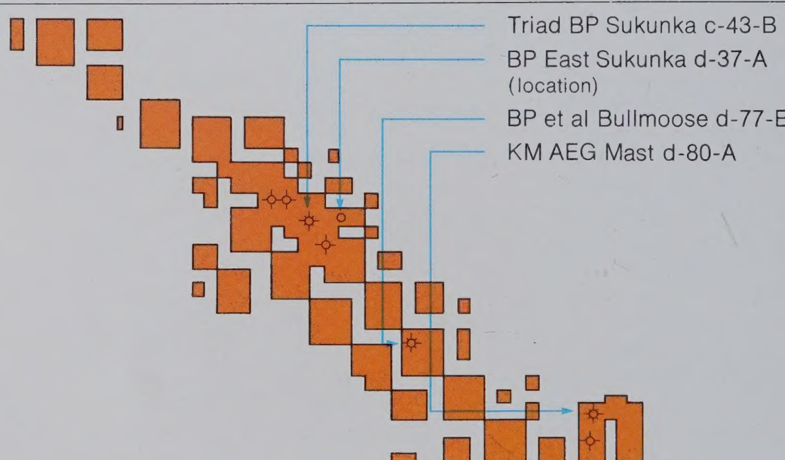
- BP
- Gas Field
- BP Abandoned Well
- BP Gas Discovery
- BP Location

Alberta-British Columbia boundary represented by dotted line. Centre of map about 50 miles east of Dawson Creek, B.C.

Monkman Area, British Columbia

One inch = 13 miles

- BP
- BP Abandoned Well
- BP Gas Well

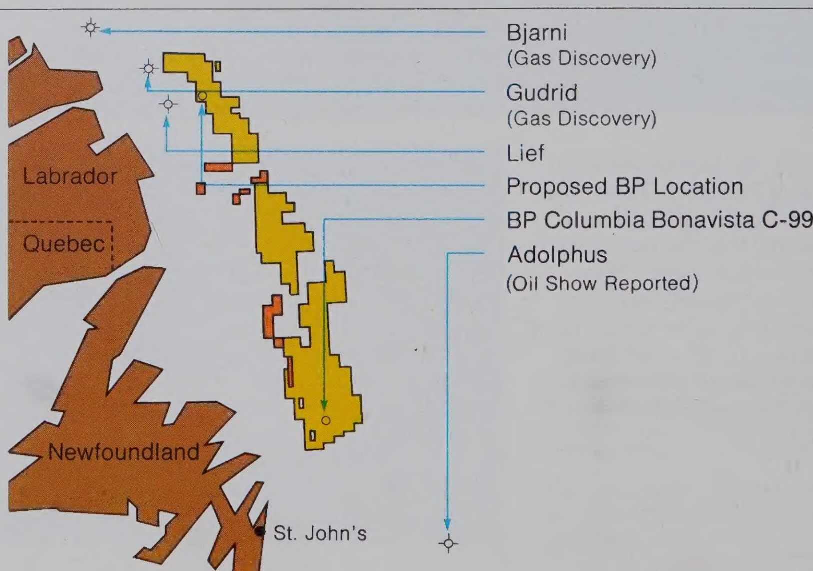


Centre of map about 65 miles southwest of Dawson Creek, B.C.

East Coast Offshore

One inch = 200 miles

- BP Canada 100% — Columbia Gas to earn 40% interest for $25 million expenditure
- Option Lands — BP Canada has right to earn up to 36% net interest



abandoned; a second, Bullmoose d-77-E, in which the Company has a 50% interest, discovered additional gas reserves in the Triassic. Further exploration drilling is indicated.

In the past four years, the Company has built up a large inventory of exploration acreage in the northern plains and foothills of British Columbia. Seismic work and exploratory drilling had been planned, primarily for gas reserves, but this program was deferred because of the low profit potential resulting from the present Federal and provincial policies.

Non-Conventional Reserves

The Company holds a 50,000-acre lease in the surface mining area of the Athabasca Tar Sands. A 90-hole stratigraphic drilling program was conducted during the winter of 1973-74. Planning of tar sands projects has become extremely difficult under today's conditions, but an engineering feasibility study will be conducted in 1975 to provide a basis for future decisions.

In the Cold Lake area, the Company's holdings include 133,000 lease acres on which experimental steam-flood projects were undertaken in earlier years. Reserves in place in these properties are estimated at some seven billion barrels. Seven stratigraphic tests were drilled in 1974 and further evaluation is planned for 1975. Research and design work for a major pilot project will commence in 1975.

Coal

Events during the year underlined the need for additional sources of domestic energy and BP is continuing its exploration for coal deposits. The Company has interests in 110,000 lease acres in Alberta and has applied for an additional 170,000 acres. Geological studies and stratigraphic drilling were carried out on BP-interest properties and on other prospects.

Minerals

Exploration for uranium and base metals continued in British Columbia, the Yukon and Northwest Territories, the Atlantic Provinces and in southeastern Alaska. The Company spent approximately $1 million on mineral exploration during 1974 and anticipates similar expenditures in 1975. The Company held some 1.75 million gross acres of mineral properties at the end of 1974.

Reserves

(Gross before royalty)	Oil and Natural Gas Liquids Barrels	Natural Gas Billions of cubic feet
Proven Reserves at December 31, 1973	119,625,100	806.503
Add		
Discoveries and extensions	508,000	47.786
Net revisions to existing reserves	(2,536,200)	38.858
	117,596,900	893.147
Less — Production	10,399,700	36.881
Proven Reserves at December 31, 1974	107,197,200	856.266
Location of Reserves by Province		
Alberta	86,948,600	748.841
Saskatchewan	16,865,000	2.703
British Columbia	3,383,600	104.722
	107,197,200	856.266

Gross Sales — Crude oil and natural gas liquids	1974 Barrels per day	1973 Barrels per day
Alberta		
Redwater	5,176	5,793
Chauvin	2,901	3,315
Pembina	2,838	3,501
Swan Hills	2,119	2,246
Kaybob South	1,779	1,684
South Sturgeon	1,327	1,355
Inverness	648	604
Others	4,099	4,508
Total Alberta	20,887	23,006
British Columbia		
Beatton River	1,110	950
Others	51	69
Total British Columbia	1,161	1,019
Saskatchewan		
Dollard	2,028	3,101
Steelman	617	678
Weyburn	615	783
Others	3,184	3,450
Total Saskatchewan	6,444	8,012
Total all Areas	28,492	32,037

Exploration & Production
(continued)

Gross Sales — Natural gas	1974 Million cubic feet per day	1973 Million cubic feet per day
Alberta		
Edson	45.4	45.2
Lac La Biche	10.0	10.5
Pembina	5.1	4.8
Cessford	3.7	3.4
East Calgary	3.4	4.0
Okotoks	3.4	4.2
Kaybob	3.4	3.6
Bellis	2.9	2.7
Harmattan - Elkton	2.3	4.4
Ghost Pine	2.1	2.5
Others	17.3	14.7
Total Alberta	99.0	100.0
Other Provinces	2.0	2.2
Total all Areas	101.0	102.2

Summary of Drilling

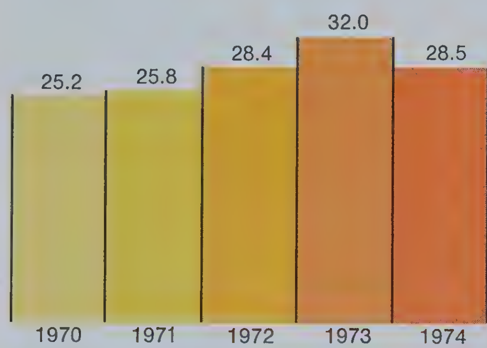
	Oil	Gas	Dry	Other
Exploratory wells				
Working interest		6	14	2
Farmout (interest retained)	1	7	20	
Wells adjacent to lands optioned (no direct interest)	1		2	
Development wells				
Working interest	12	20	7	1
Farmout (interest retained)	2		2	

Land Summary

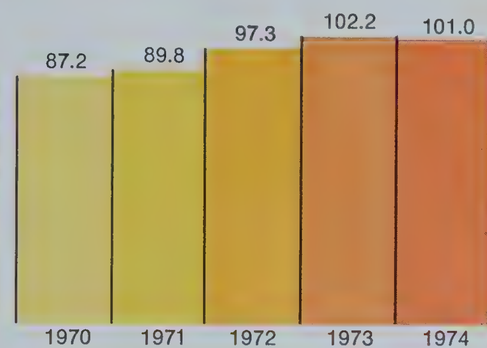
	December 31, 1974		December 31, 1973	
	Gross	Net	Gross	Net
Leases				
Alberta	1,914,965	1,152,931	2,119,839	1,189,155
British Columbia	294,375	276,667	358,732	333,458
Saskatchewan	145,593	67,347	177,920	78,294
Ontario	26,254	11,006	27,139	11,338
Northwest Territories	68,422	19,158	68,422	19,158
	2,449,609	1,527,109	2,752,052	1,631,403
Reservations & Permits				
Alberta	2,631,428	1,383,295	2,494,812	1,349,900
British Columbia	896,524	333,191	718,069	270,780
Northwest Territories	3,876,689	673,668	1,234,862	233,355
Arctic Islands *	6,588,059	1,025,458	9,001,629	1,139,382
East Coast	14,857,943	13,430,032	13,826,965	13,275,386
North Sea - Great Britain	51,323	5,774	51,323	5,774
	28,901,966	16,851,418	27,327,660	16,274,577
Major Options				
Alberta	110,000	47,495	229,215	60,394
British Columbia	100,765	21,272	124,424	30,561
East Coast	—	216,506	1,030,978	371,152
Northwest Territories	—	616,417	2,904,297	1,100,471
	210,765	901,690	4,288,914	1,562,578
Total P. & N.G. Acreage	31,562,340	19,280,217	34,368,626	19,468,558
Coal Acreage	124,531	58,187	31,925	13,634
Mineral Acreage	1,716,770	1,716,770	1,292,645	1,291,757

**Carried interest acreage not included.*

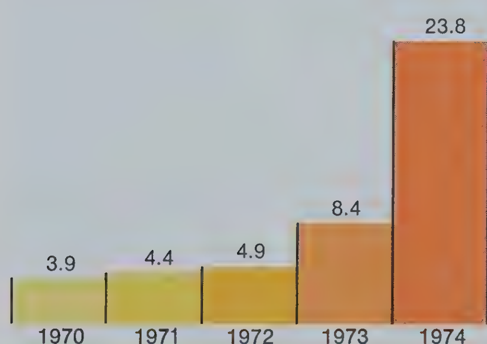
Gross sales — Crude oil and gas liquids
(Thousands of barrels per day)



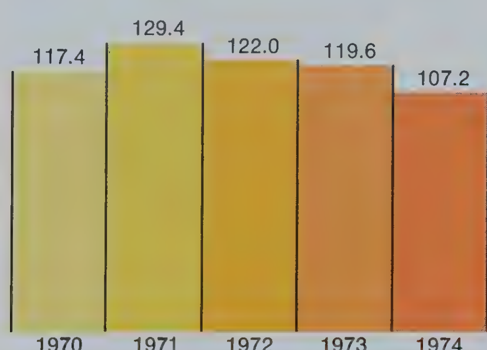
Gross sales — Natural gas
(Millions of cubic feet per day)



Royalties paid
(Millions of dollars)

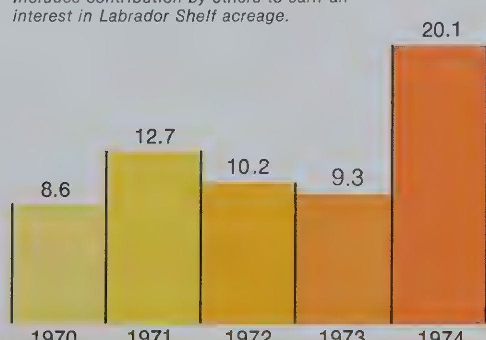


Gross reserves — Crude oil and gas liquids
(Millions of barrels)

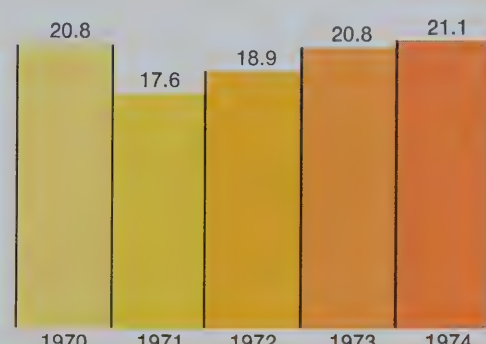


Gross reserves — Natural gas
(Billions of cubic feet)

Exploration and research expenditures
(Millions of dollars)
Includes contribution by others to earn an interest in Labrador Shelf acreage.



Net land holdings
(Millions of acres)



The capacity of Trafalgar Refinery has been doubled to 78,000 barrels per day.

Above: Derek F. Mitchell, President (left) discusses progress on site with James A. Barclay, Vice-President, Supply & Refining.

At left: The new catalytic cracking unit (centre) and vacuum unit.

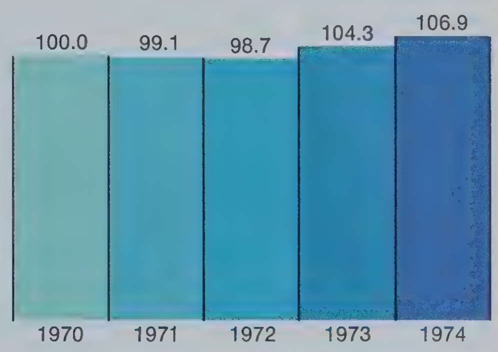
The supply of foreign crude oils to Montreal Refinery was restricted by international events in the early months of 1974. Some 2 million barrels of Western Canadian crude oil were transported to Montreal by sea from Vancouver via the Panama Canal and Portland, Maine, to make good this deficiency and enable the refinery to operate at capacity and meet all supply commitments. Throughput at the Company's refineries averaged 107,000 barrels per day, the highest so far achieved.

The cost of foreign crudes more than doubled on January 1, 1974 and continued to rise progressively over the year as the result of a series of complex actions taken by members of the Organization of Petroleum Exporting Countries (OPEC). Throughout the year domestic crude oil and petroleum products were subject to ceiling prices determined by the Federal Government, in consultation with the Provinces. At the same time a compensation system was introduced which was designed to reimburse importers of oil for that part of the increased costs of foreign oil which they were unable to recover from the market by virtue of the ceilings placed on product prices.

On April 1, domestic crude oil prices were allowed to rise by about 70 percent so that the delivered price of crude oil in Ontario was established at approximately the same level as that of foreign crude oils in Montreal, after the latter were adjusted by "compensation". This price is rather less than 60 percent of the price of crude oil in the international market.

Construction of the new plant at Trafalgar Refinery was completed by the end of the year thereby doubling the capacity of the refinery to 78,000 barrels per day. The first of the new process units was started up in November and the last early in January 1975. Additional tankage and supporting utilities were also completed in 1974. Environmental protection features of the expanded refinery include a new high level stack and an enlargement of the biological treatment plant for effluent water.

Total crude oil processed
(Thousands of barrels per day)



Marketing

Above: On busy Ontario provincial highway 400, north of Toronto, the Company, in 1974, completed its largest combined service centre and restaurant. A distinctive sign attracts diners to the Châtelaine restaurant.

Right: Dealer Gary Hicks displays his 1974 record of improvements in appearance and merchandising to G. M. Milne (centre) the Company's manager of service station sales, and district manager E. J. Tovey.

Above: At the BP Skid Control School, Oakville, instructor Craig Fisher uses model cars in discussing advanced driving techniques with F. H. Ellis, General Manager of the Ontario Safety League. Both Montreal and Oakville Schools had a record year hosting students from the public and private sectors, including delegates from the annual conference of the American Association of Automotive Medicine.

In order to further improve BP's marketing services, capital expenditure during 1974 was concentrated on developing gasoline outlets offering customers better economy or greater convenience. These included self-service outlets and outlets equipped with car washes or highway restaurants. The network comprised some 2100 retail outlets at year end. Since the merger with Supertest three years ago, the number of outlets selling the Company's gasoline brands has been reduced by about 35% without loss of market share and with a corresponding improvement in average sales per outlet. During 1974 the rebranding of Supertest outlets to BP was virtually completed.

The Company believes that its retail network is in excellent shape to compete in the market-place as it pursues its strategy of developing outlets to meet the specific needs of each community.

During 1974, a major effort was made to improve the overall competence and earnings of BP dealers, especially those operating outlets containing service bays which remain the backbone of the Company's retail network. Special training and incentive schemes were introduced to help dealers achieve maximum performance and profit objectives. In addition, dealers were offered professional service station management seminars, the first of their kind in Canada. As a further encouragement to dealers to maintain high standards of performance and appearance, all outlets are now inspected on a regular basis by members of senior management.

In the latter part of 1974, BP introduced on a limited basis an unleaded grade of gasoline. This is being sold primarily through outlets servicing the U.S. tourist trade since a high proportion of 1975 model automobiles sold in the U.S. are equipped with catalytic converters requiring unleaded gasoline. Current Canadian automobile emission standards were designed to avoid the necessity of Canadian automobiles being equipped with catalytic converters and, hence, requiring unleaded fuels.

The $2 million expansion and rehabilitation of the Trafalgar Marketing Terminal neared completion in 1974. With the installation in the spring of 1975

Above: "Bottom loading" of gasoline, which minimizes release of vapours, at Trafalgar Terminal.

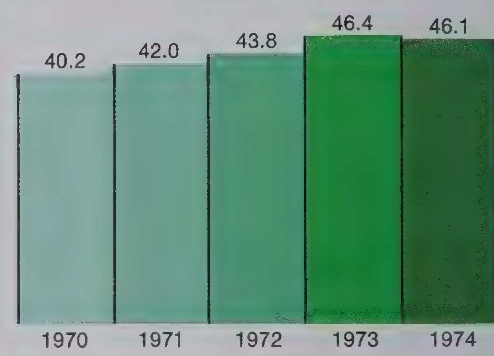
of new facilities for loading home heating oils, the expanded terminal will be fully operational.

The capacity of the lubricants blending and packaging plant in Toronto was increased from 3 million to 4½ million gallons per annum during the course of the year. This now permits BP to supply its total requirements, part of which had hitherto been purchased from another company.

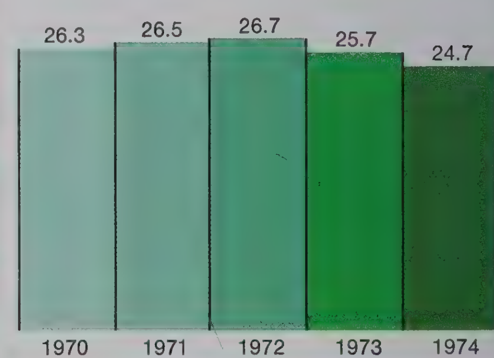
The BP and Supertest Agency networks, serving rural Quebec and Ontario, have been fully integrated and consolidated. Sales continue to grow despite a reduction in the number of agencies and bulk plants.

In the early part of the winter, the worldwide shortage of antifreeze caused some anxiety and it became necessary to allocate available supplies. Since then supplies have considerably improved and no further difficulties with this product are anticipated in the foreseeable future.

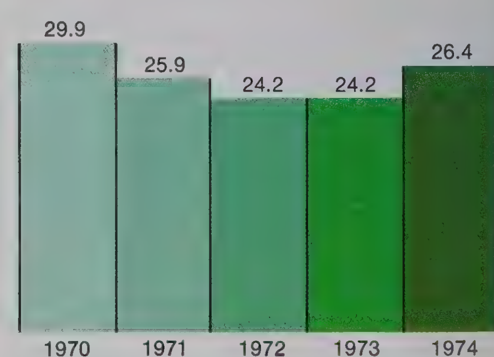
Sales of gasoline
(Thousands of barrels per day)



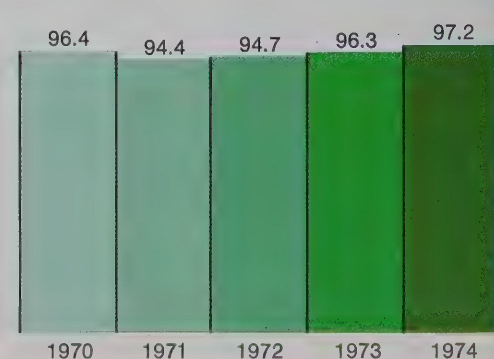
Sales of middle distillates
(Thousands of barrels per day)



Sales of other products
(Thousands of barrels per day)



Total sales of petroleum products
(Thousands of barrels per day)



Corporate Relations

National and international events ensured that oil industry news was kept continuously in front of the Canadian public throughout 1974. BP intensified its efforts to provide authoritative information to governments and to the news media to try to ensure that public debates were conducted against a factual background. Particular emphasis was laid on the absolute necessity for rapid resolution of intergovernmental disputes if Canada was to have any prospect of maintaining her relative self-sufficiency in energy.

Environmental Protection

The Company increased its environmental activity, cooperation with other members of the industry and with governments receiving particular attention. BP's Coordinator, Environmental Protection, was elected President of the Petroleum Association for Conservation of the Canadian Environment (PACE) and was thereby able to play a particularly important role in helping to maintain the highest environmental standards.

At Montreal Refinery further substantial additions were made to the water effluent treatment plant and at Trafalgar Refinery the major expansion included important environmental protection facilities. Amongst these were a 300-foot stack of novel design, a sour water stripper and major modifications to the water effluent system.

BP supplemented its oil spill response plans with further equipment and training. Regional and national cooperation with governments and with other oil companies is an integral part of these plans.

Two units of the "Vikoma" Sea Pack have been purchased by Canadian government agencies and more are on order. These

A wide variety of public affairs activities carried BP's opinions and intentions to Canadians in 1974.

Above: Economics teachers and students get involved in a discussion with the Manager, Public Affairs, Robert Keefler.

Right: At Dartmouth, N.S., an element of the BP-developed "Vikoma" system for containment (by inflatable boom) and cleanup of marine oil spills is lowered into the water during a demonstration by Transport Canada.

portable oil spill containment units will be used in Canadian coastal contingency plans.

Corporate Donations

A substantial increase was made in the total funds donated to charitable causes with particular emphasis on the amounts made available for cultural and civic purposes.

As part of its support of the Ontario Safety League, BP sponsored the production of two TV spots on "Driving in Rain" which were widely used. Sponsorship continued of "Bits About Wheels", a monthly bulletin distributed to high schools.

Films

More than a million Canadians saw BP films at group showings during 1974. *Shadow of Progress/La Rançon du Progrès* was screened continuously for the 250,000 visitors to Man and His World's Environment Pavilion at Montreal during its three-month season. In addition, BP's film *Canada* was shown for two weeks at the "Bravo Canada" display at North York, Toronto. Toward the end of the year *Location North Sea* had its Canadian première during a colloquium for government and industry representatives at Memorial University, St. John's, Newfoundland.

Above: Government and industry environmentalists, visiting Montreal Refinery, see the steel piping which carries regenerated catalyst. Hydrocarbons having been burned off, the resultant solid particles are removed before they can escape to the atmosphere, while the gases are re-used as fuel for steam generation.

Financial Review and Financial Statements

Consolidated net income for 1974 was $39.5 million or $1.88 per common share, an increase of 82.0% over comparative 1973 earnings of $21.7 million after restatement to reflect the retroactive adoption of full tax allocation accounting.

The consolidated net income represents a rate of return on average capital employed of 11.4% compared to 8.0% in 1973.

Effective January 1, 1974 a change in the application of the full cost method of accounting was made as a result of which costs in respect of Arctic and East Coast offshore exploration are now amortized over the period during which activity in each area is expected to continue, presently estimated to be ten years.

Revenue in 1974 increased by 43.5% to $451.1 million, largely due to sharply higher prices for petroleum products and for crude oil and natural gas. Expenses increased by $101.8 million to $380.2 million primarily due to higher cost of crude oil, net of recovery under the federal Oil Import Compensation Program, and increased cost of salaries, wages, employee benefits and materials.

Provision for income taxes in 1974 was computed on the basis of the November 18, 1974 federal budget and of subsequent announcements by the producing provinces, notwithstanding that many of these announcements have not yet been enacted or even in some cases made public in definitive form. The total provision for income taxes of $31.4 million was $17.9 million more than in the previous year.

Federal sales, municipal and other taxes, royalties, and provision for income taxes totalled $79.4 million, an increase of 86.7%. Provincial royalties increased by 195.2% and provision for income taxes by 132.6%. Direct taxes on petroleum products collected on behalf of the provincial governments amounted to $115.2 million, an increase of $7.2 million over 1973.

Working capital increased by $42.2 million during the year to $98.1 millon which was principally accounted for by the increased value of inventories, accounts receivable and short term investments, offset in part by increased accounts payable.

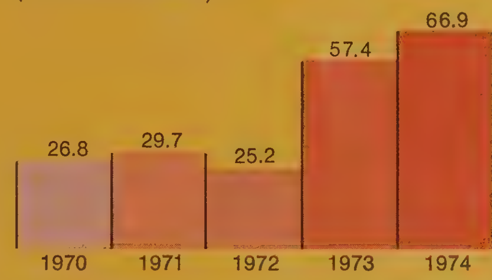
Funds derived from operations and from the sale of property, plant and equipment together with the amount contributed by Columbia Gas Development of Canada Ltd. (see note 5 to the financial statements) were more than adequate to cover requirements during the year. The financing for the expansion of the Trafalgar Refinery was arranged in 1973 in the form of a $50 million debenture issue and a loan of £3.2 million in the United Kingdom (see note 7).

Total expenditure in 1974 on property, plant and equipment, and research costs of $66.9 million, including $25.1 million in respect of the expansion of the Trafalgar Refinery, was $9.5 million higher than in 1973. Expenditure by sectors was as follows:

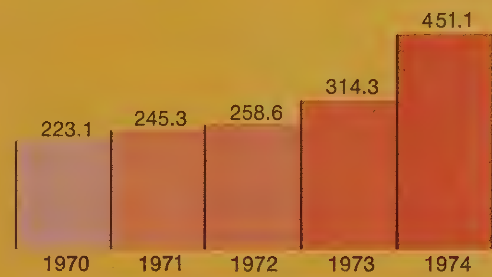
	1974	1973
	(millions of dollars)	
Exploration	$20.1	$ 9.3
Development	3.8	2.9
Marketing	16.5	14.2
Refining	26.5	31.0
	$66.9	$57.4

In December 1974 the Accounting Research Committee of the Canadian Institute of Chartered Accountants issued a guideline to deal with accounting for the effects of changes in the general purchasing power of money by restating historical cost financial statements using a single price index. On the basis recommended by the guideline it is computed that for the year 1974, restated consolidated net income was $31.1 million, or $1.48 per common share compared with $39.5 million or $1.88 per common share reported on the basis of historical cost. Similarly the return on average capital employed after restatement is computed at 6.9% as against 11.4% on a historical cost basis.

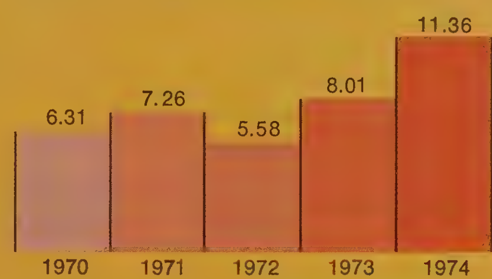
Expenditures on property, plant and research
(Millions of dollars)



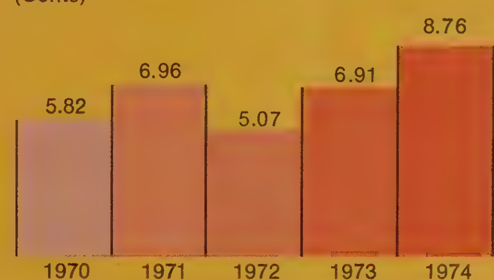
Net revenue
(Millions of dollars)



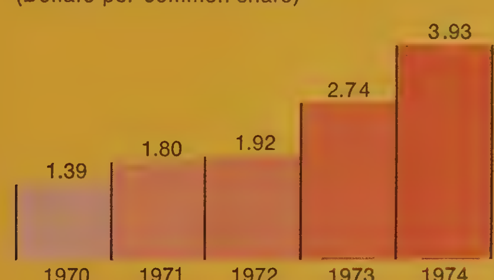
Return on average capital employed (%)



Net income per dollar of net revenue
(Cents)



Total funds derived from operations
(Dollars per common share)



Consolidated Statement of Income

for the year ended December 31, 1974

BP Canada Limited and Subsidiaries

	1974	1973
	(thousands of dollars)	
Revenue:		
Sales and services	$464,808	$326,598
Less federal sales taxes	19,257	15,554
	445,551	311,044
Income from investments	5,514	3,236
	451,065	314,280
Expenses:		
Purchases of crude oil, products and merchandise	242,112	159,749
Operating and administration	105,410	89,681
Depreciation (note 1)	13,714	13,432
Depletion and research costs written off (notes 1 and 5)	11,868	9,300
Interest and discount on long term debt	7,050	6,223
	380,154	278,385
Income before income taxes and extraordinary item	70,911	35,895
Income taxes (note 9)	31,400	13,500
Income before extraordinary item	39,511	22,395
Extraordinary item		
Loss on sale of U.S. exploration subsidiary	—	(684)
Net income for the year	$ 39,511	$ 21,711
Income per common share (note 8)		
Before extraordinary item	$1.88	$1.06
Extraordinary item	—	(0.03)
Net income for the year	$1.88	$1.03

See accompanying notes

Consolidated Statement of Changes in Financial Position

BP Canada Limited and Subsidiaries

for the year ended December 31, 1974

	1974	1973
	(thousands of dollars)	
Funds derived from:		
Income before extraordinary item	$ 39,511	$22,395
Add (deduct) items not resulting in a flow of funds in the current year:		
Depreciation and depletion (note 1)	24,169	22,732
Deferred income taxes	21,800	13,300
Profit on redemption of long term debt	(196)	(433)
Other	(2,655)	(395)
Total funds derived from operations	82,629	57,599
Extraordinary item	—	(684)
Proceeds on sale of property, plant and equipment	9,328	6,241
Net decrease in investments and advances	20,797	598
Issue of capital stock	5	53
Long term borrowing (1973 - net of $25,000,000 investment of proceeds from debenture issue)	784	32,303
Total funds derived	113,543	96,110
Funds applied to:		
Expenditures for property, plant and equipment	65,457	57,417
Less amount contributed by Columbia Gas Development of Canada Ltd. (note 5)	9,381	1,028
	56,076	56,389
Premiums paid on acquisition of going concerns (note 1)	—	309
Net repayments of gas supply contract advances	747	177
Repayments of long term debt	8,590	10,525
Dividends	5,955	3,225
Redemption of preference shares	20	31
Total funds applied	71,388	70,656
Increase in working capital	42,155	25,454
Working capital, beginning of the year	55,994	30,540
Working capital, end of the year	$ 98,149	$55,994

See accompanying notes

Consolidated Balance Sheet
December 31, 1974

BP Canada Limited and Subsidiaries
(Incorporated under the laws of Ontario)

Assets	1974 (thousands of dollars)	1973
Current:		
Cash and short term investments, at cost which approximates market	$ 46,363	$ 6,889
Accounts receivable (note 3)	107,552	64,793
Inventory, valued at the lower of cost and market	71,094	44,168
Prepaid expenses and deposits	1,942	1,447
Total current assets	226,951	117,297
Investments and advances:		
Investment of proceeds of debenture issue	5,000	25,000
Investments in other companies (note 4)	4,217	4,248
Mortgages, loans and long term deposits	4,433	5,232
Lease payments, at amortized cost	690	900
Deferred charges, at cost less amortization	866	1,005
Total investments and advances	15,206	36,385
Property, plant and equipment, at cost less accumulated depreciation and depletion (note 5)	316,994	291,392
	$559,151	$445,074

On behalf of the Board:

Director

Director

See accompanying notes

Liabilities and Shareholders' Equity	1974	1973
	(thousands of dollars)	
Current:		
Bank loan	$ —	$ 100
Notes payable	1,800	—
Accounts payable and accrued liabilities (note 6)	102,652	47,419
Income and other taxes payable	21,687	9,314
Dividends payable	597	290
Current maturities of long term debt	1,829	4,013
Deferred production income	237	167
Total current liabilities	128,802	61,303
Gas supply contract advances	556	1,303
Long term debt (note 7)	94,512	102,515
Deferred income taxes	44,600	22,800
Shareholders' equity:		
Capital stock (note 8)	185,396	185,424
Retained earnings	105,285	71,729
	290,681	257,153
	$559,151	$445,074

See accompanying notes

Consolidated Statement of Retained Earnings

for the year ended December 31, 1974

	1974	1973
	(thousands of dollars)	
Balance, beginning of the year		
As previously reported	$ 86,929	$62,052
Deduct —		
Cumulative effect of accounting changes (note 2)	15,200	8,500
As restated	71,729	53,552
Net income for the year	39,511	21,711
Premiums paid on acquisition of going concerns (note 1)	—	(309)
	111,240	74,954
Dividends:		
Common shares	5,882	3,150
Preference shares	73	75
	(5,955)	(3,225)
Balance, end of the year	$105,285	$71,729

See accompanying notes

Auditors' Report

To the Shareholders of BP Canada Limited:

We have examined the consolidated balance sheet of BP Canada Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and changes in financial position for the year then ended, in accordance with generally accepted accounting principles. Certain accounting changes were made in 1974 which have been given retroactive effect where appropriate by restatement of the 1973 figures as described in note 2. Our report on the 1973 financial statements took exception to the accounting treatment accorded a special contribution to the pension plans charged by the company against income in 1973 as described in note 10. Except for these matters, the accounting principles applied in 1974 are consistent with those of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Montreal, Canada
March 7, 1975.

1. Accounting policies

The principal accounting policies are summarized below:

Investment in subsidiary companies —
The consolidated financial statements include the accounts of subsidiary companies, all of which are wholly owned. When a business is purchased, assets including goodwill and liabilities are recorded at their fair values at the date of acquisition and depreciation, depletion and amortization from that date are based on these values. Prior to 1974 goodwill acquired was written off to retained earnings; after January 1, 1974 it will be amortized to income over its estimated life.

Financing costs during construction —
Interest on debt incurred to finance the construction of fixed assets is charged to income during the construction period.

Property, plant and equipment; depreciation and depletion —
Marketing, refining and production assets —
Property, plant and equipment includes the cost of land and facilities and of significant improvements thereto. Generally, depreciation is provided on assets on a straight line basis over their estimated useful lives which are as follows:

	Number of years		
	Refineries	Marketing	Production
Buildings	30 to 50	10 to 20	
Tanks and pipelines	30	10 to 20	15
Equipment	20	10	4 to 12
Automotive equipment	5	5	5

Exploration and development costs —
The full cost method of accounting is used, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized, whether related to productive or non-productive properties. Proceeds received from the disposal of properties are credited against the costs, and the net costs, except as noted below, are amortized by the composite unit of production method based on total estimated proven reserves. Effective January 1, 1974 separate cost centres were established for the Arctic and East Coast offshore activities and costs accumulated in these cost centres are amortized on a straight line basis over the period during which activity in each area is expected to continue, presently estimated to be ten years. Costs related to mineral exploration, excluding property acquisition costs which are amortized over the terms of the related leases, are charged to income in the year incurred.

Research costs —
Research costs associated with the production of hydrocarbons from the tar sands and heavy oil deposits in central Alberta are charged to income in the year incurred.

Inventories —
Inventories of crude oil, refined products and merchandise are valued at the lower of cost (determined on a first-in first-out basis, which for manufactured refined product is based on the average cost of manufacture for the year) and net realizable value. Amounts recoverable under the federal oil import compensation program are applied to reduce the cost of crude oil purchased.

Sales and services —
Sales and road taxes collected for the provincial governments have been excluded from sales and services revenue.

Income taxes —
In 1974 the company extended the application of tax allocation accounting to provide taxes on income deferred for tax purposes by claiming deductions for drilling, exploration and lease acquisition costs greater than the related charges in the accounts. This change was made by many others in the oil and gas industry in response to a request by the provincial securities commissions that the industry adopt full tax allocation accounting as recommended by the Canadian Institute of Chartered Accountants. In applying this change retroactively, profits and losses of subsidiaries have been offset in the computation of prior years' income subject to tax.

2. Accounting changes

As discussed in note 1, the company made the following accounting changes during the year:

a) the retroactive adoption of the full tax allocation basis of accounting and the recomputation of prior years' consolidated income subject to tax;

b) a change in the application of the full cost method to establish in 1974 separate cost centres for Arctic and East Coast offshore exploration activities, and to amortize the costs over the period during which activity in each area is expected to continue, presently estimated to be ten years;

c) a change in accounting for goodwill acquired after January 1, 1974 to amortize remaining balances over their estimated lives. No significant amounts of goodwill were acquired in 1974.

As a result of these changes consolidated retained earnings at January 1, 1973 were decreased by $8,500,000 and net income for the years ended December 31, 1973 and 1974 was decreased as follows:

	1974 (thousands of dollars)	1973	Per share 1974	Per share 1973
Increase in provision for income taxes as a result of adoption of tax allocation accounting	$7,320	$6,700	$0.35	$0.32
Increase in depletion as a result of establishment of separate cost centres for frontier exploration areas	155	—	0.01	—
Total decrease in net income for the year	$7,475	$6,700	$0.36	$0.32

3. Accounts receivable

	1974 (thousands of dollars)	1973
Trade accounts receivable	$75,556	$63,007
Due from parent company	—	1,783
Miscellaneous intercompany accounts	15	3
Recoverable under Oil Import Compensation Program	31,981	—
	$107,552	$64,793

4. Investments in other companies

	1974	1973
	(thousands of dollars)	
Shares of effectively controlled companies, at equity	$ 52	$ 90
Investments in other companies, at cost:		
Not quoted	3,278	3,271
Quoted (market value 1974 — $739,000 1973 — $1,576,000)	887	887
	$4,217	$4,248

5. Property, plant and equipment

	1974 (thousands of dollars)			1973
	Investment at cost	Accumulated depreciation and depletion	Net investment	Net investment
Exploration and production	$223,838	$102,596*	$121,242	$121,194
Refining	162,302	60,225	102,077	80,335
Marketing	154,365	60,690	93,675	89,863
	$540,505	$223,511	$316,994	$291,392

**Includes depletion of $79,618,000*

Under an agreement with Columbia Gas Development of Canada Ltd., Columbia will contribute $25 million in the period ending September 30, 1979 for an exploration program on the company's acreage off the coast of Newfoundland to earn a 40% interest in these lands.

Depletion charged in 1974 and in 1973 amounted to $10,455,000 and $9,300,000 respectively; research costs of $1,413,000 were written off in 1974.

6. Accounts payable and accrued liabilities

	1974	1973
	(thousands of dollars)	
Accounts payable trade and accrued liabilities	$ 61,517	$ 45,306
Due to affiliated companies for purchases of crude and product	38,567	1,597
Due to parent company — Dividend	1,102	516
Other	1,466	—
	$102,652	$ 47,419

7. Long term debt

	1974	1973
	(thousands of dollars)	
BP Canada Limited:		
6% Sterling loan maturing in 1982	$ 7,798	$ 7,234
7¾% U.S. dollar Series A debentures, maturing February 15, 1993	24,894	24,894
8¼% Series B debentures, maturing February 15, 1993	25,000	25,000
Other long term debt	300	450
Subsidiaries of BP Canada Limited:		
BP Oil Limited —		
Mortgage loans payable	532	518
5¾% notes due 1975	1,000	4,000
Other —		
Mortgage loans payable	81	177
Subsidiaries of BP Oil Limited:		
BP Refinery Canada Limited —		
5½% first mortgage sinking fund bonds Series A, maturing March 15, 1979	5,713	6,398
5¾% sinking fund debentures Series A maturing October 1, 1986	23,831	24,524
Supertest Investments and Petroleum Limited —		
Bank loans secured by certain oil and gas properties, payable over a period of three years	—	847
BP Exploration Canada Limited —		
Bank loans secured by certain oil and gas properties — 6¼% Series B notes	7,192	12,213
Other long term debt	—	273
	96,341	106,528
Less current maturities included in current liabilities	1,829	4,013
	$ 94,512	$102,515

In addition to the current maturities included in current liabilities at December 31, 1974 it is estimated that further repayments of the 6¼% Series B notes from production proceeds during 1975 will amount to $5,800,000. Repayments and sinking fund requirements during the four years subsequent to December 31, 1975 are as follows:

1976 — $3,449,000
1977 — $5,016,000
1978 — $5,062,000
1979 — $5,018,000

8. Capital stock

		1974	1973
		(thousands of dollars)	
Authorized:			
14,412	5% cumulative redeemable sinking fund preference shares of $100 par value each redeemable for $103 or at par for sinking fund purposes (14,744 in 1973)		
30,000,000	common shares without par value		
Issued:			
14,412	5% cumulative redeemable sinking fund preference shares (14,744 in 1973)	$ 1,441	$ 1,474
21,007,823.8	common shares (21,007,423.8 in 1973)	183,955	183,950
		$185,396	$185,424

At December 31, 1974 options were outstanding to officers and employees to purchase 6,800 common shares at prices ranging from $8.32½ to $13.27½ exercisable annually to January 25, 1976. Options with respect to 400 common shares were exercised during the year at a price of $13.27½ per share.

The company redeemed for cash 332 preference shares during the year.

9. Income taxes

The 1974 income tax provision has been computed on the basis of the November 18, 1974 federal budget which included a number of proposals, several having retroactive effect to the date of an earlier budget on May 6, 1974, which will substantially increase the income taxes of the resource industries. The reaction of the provincial governments, which contemplates some measure of relief through rebates or grants has also been taken into account, although the legislative amendments have not yet been enacted or in some cases not made public in definitive form. The provision for income taxes on 1974 income is greater by approximately $2,900,000 than it would have been if calculated on the basis of legislation existing in 1973.

The provision in 1974 has been reduced by claiming statutory depletion; the depletion bank remaining at December 31, 1974 was $42,600,000, which may be used to reduce taxable income in future years by $1 for every $3 remaining in the bank, or by a total of $14,200,000.

10. Pension plans

In 1973 pension plans were revised to bring pensions earned by longer service employees more in line with current industry standards and it was estimated that an additional funding related to employees' previous years of service of $5.5 million was required. A special contribution of this amount was made to the trustees in 1973 and charged to income during the year. While the Canadian Institute of Chartered Accountants recommends that payments of this nature to a pension fund be charged to future income over a reasonable period of years, the company considered it more appropriate to charge the cost of providing benefits related to past service to income in the year paid.

An actuarial valuation of the pension plans as at December 31, 1973 indicated that all liabilities were fully funded by assets held by the trustees.

11. Commitments and subsequent events

Commitments in the ordinary course of business for the acquisition or construction of fixed assets are not significant in relation to net assets.

Total rentals under leases expiring more than three years after the year end amounted to approximately $25,000,000 of which $2,800,000 is payable in 1975.

The expansion of the Trafalgar Refinery to a capacity of approximately 78,000 barrels per day was completed by the year end. The final cost of the new facilities is estimated at $63,000,000.

12. Statutory information

The aggregate direct remuneration of the directors and senior officers of the company was $669,000 in 1974.

The principal operating subsidiaries of the company are BP Oil Limited, BP Refinery Canada Limited, BP Exploration Canada Limited, and Supertest Investments and Petroleum Limited. Subsequent to the year end BP Oil Limited and BP Refinery Canada Limited were amalgamated under the provisions of the Canada Corporations Act to form a new subsidiary company named BP Oil Limited.

13. Statement presentation

The 1973 comparative figures have been restated to conform to the presentation adopted in the current year.

Five year financial summary

(Dollars in thousands except per share amounts)

	1974	1973	1972	1971	1970
Balance sheet					
Current assets	$226,951	$117,297	$ 85,336	$ 78,796	$ 73,479
Current liabilities	128,802	61,303	54,796	60,165	55,817
Working capital	98,149	55,994	30,540	18,631	17,662
Investments and advances	15,206	36,385	12,252	14,091	13,340
Property, plant and equipment — net	316,994	291,392	263,326	265,188	257,491
Capital employed	430,349	383,771	306,118	297,910	288,493
Deduct: Long term debt	94,512	102,515	56,170	65,184	74,984
Other non-current liabilities	45,156	24,103	10,980	2,883	1,646
Shareholders' equity	290,681	257,153	238,968	229,843	211,863
Per common share	$13.77	$12.17	$11.31	$10.87	$10.02
Income					
Net revenue	451,065	314,280	258,574	245,346	223,082
Expenses	380,154	278,385	236,477	225,677	208,747
Income before income taxes and extraordinary items	70,911	35,895	22,097	19,669	14,335
Income taxes	31,400	13,500	8,400	7,000	5,810
Income before extraordinary items	39,511	22,395	13,697	12,669	8,525
Extraordinary items					
Income tax credit	—	—	—	5,163	4,463
Other debits	—	(684)	(576)	(750)	—
Net income for the year	$ 39,511	$ 21,711	$ 13,121	$ 17,082	$ 12,988
Per common share					
Income before extraordinary items	$1.88	$1.06	.65	.60	.40
Extraordinary items	—	(.03)	(.03)	.21	.21
Net income for the year	1.88	$1.03	.62	.81	.61
Total funds derived from operations	$ 82,629	$ 57,599	$ 40,332	$ 37,711	$ 29,275

Five year operating summary

(Barrels per calendar day except natural gas)

	1974	1973	1972	1971	1970
Refined product sales	97,164	96,253	94,680	94,400	96,431
Crude oil processed at refineries	106,921	104,323	98,743	99,079	100,000
Gross sales of crude oil and natural gas liquids	28,492	32,037	28,418	25,789	25,165
Gross sales of natural gas (thousands of cubic feet per day)	101,043	102,167	97,274	89,815	87,163

Glossary of Exploration & Production Terms used in this Report

Farmout - the name given to a project where the lessee of lands agrees to assign an interest to another party in consideration of work performance.

Discovery Well - an exploratory well drilled to a formation found to be capable of producing oil and/or gas.

Development Well - a well drilled to a known producing formation in a previously discovered field.

Reserves - the unproduced but recoverable oil and/or gas in a geological formation which has been proven.

Extensions - drilled wells which broaden the extent of the area of a previously discovered field.

Revisions - recalculation of the reserves in a producing formation based on information gained from the performance of the producing formation on actual production.

Royalty - the mineral owner's share of production free of expenses of production. In most of Canada the mineral rights are held in the right of the Crown through a government but there are some lands in which the mineral rights are privately owned.

Natural Gas Liquids - Hydrocarbons found in natural gas which may be extracted as liquefied petroleum products.

Side-Tracked - a well is side-tracked to by-pass an obstacle through which it is impossible to drill.

Permit Lands - lands held under Government regulations which convey a right to explore and an exclusive right to obtain a lease.

Lease - lands in which the lessee has the right to take and sell production.

Horizons - a term for geological strata. A producing horizon is that portion of a formation where porosity and permeability form a petroleum reservoir.

Steam Flood Projects - steam is pumped into the reservoir to lower the viscosity of the oil in place, so that the oil may be more easily pumped to surface.

Stratigraphic Tests - wells drilled for geological information.

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